

CITY OF MANILLA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

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CITY OF MANILLA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Leonard Kaufmann	Mayor	January 2012
Charles Agan	Mayor Pro-Tem	January 2012
Scott Bandow	Council Member	January 2012
Wyatt Bandow	Council Member	January 2014
Deb Fender	Council Member	January 2012
Carolyn Rutherford	Council Member	January 2014
James Heller	City Clerk	Indefinite
Laura Jahn	Assistant Clerk	Indefinite
Mary Ann Macumber	Treasurer	Indefinite
Allen K Nepper	City Attorney	Indefinite
(After January 2012)		
Leonard Kaufmann	Mayor	January 2014
Wyatt Bandow	Mayor Pro-Tem	January 2014
Deb Fender	Council Member	January 2016
Jeremy Misselhorn	Council Member	January 2016
Carolyn Rutherford	Council Member	January 2014
Patrick Wuestwald	Council Member	January 2016
James Heller	City Clerk	Indefinite
Laura Jahn	Assistant Clerk	Indefinite
Mary Ann Macumber	Treasurer	Indefinite
Allen K Nepper	City Attorney	Indefinite

CITY OF MANILLA
MUNICIPAL SERVICE OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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(Before January 2012)

BOARD OF TRUSTEES

Barry Christensen	Chairman	January 2017
Maurice Henkelman	Trustee	January 2015
Alan Foster	Trustee	January 2013

OFFICIALS

Jeff Blum	Utility Director	Indefinite
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(After January 2012)

BOARD OF TRUSTEES

Barry Christensen	Chairman	January 2017
Maurice Henkelman	Trustee	January 2015
Allen Foster	Trustee	January 2013

OFFICIALS

Jeff Blum	Utility Director	Indefinite
Jeff Blum	Secretary	Indefinite
Mary Ann Macumber	Treasurer	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

January 9, 2013

Independent Auditor's Report

Lonnie G. Muxfeldt
Certified Public
Accountant

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To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manilla, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Manilla's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Continued . . .

January 9, 2013

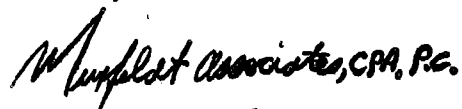
Page Two

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manilla at June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 9, 2013 on my consideration of the City of Manilla's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Manilla's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 (which is not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information, except that portion marked "unaudited" on Schedule 2, Schedule of Receipts by Source and Disbursements by Function – All Governmental Fund, on which I express no opinion, has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Manilla's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 11 and 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

 Murphy & Associates, CPA, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Manilla provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 34.6%, or approximately \$188,000, from fiscal year 2011 to fiscal year 2012.

Disbursements of the City's governmental activities decreased 3%, or approximately \$15,600, in fiscal year 2012 from fiscal year 2011.

The City's total cash basis net assets increased 9%, or approximately \$316,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$245,000 and the assets of the business type activities increased approximately \$71,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. general accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitation resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, sanitary sewer system, sanitation, gas and electric utilities.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) The General Fund, 2) The Special Revenue Funds, such as Road Use Tax and Local Option Tax Funds, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds which are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for

the Water, Sewer, Sanitation, Electric and Gas Funds. The Electric and Gas Funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$627,000 to approximately \$872,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Charges for services	\$ 35,725	\$ 27,990
Operating grants, contributions and restricted interest	103,767	136,161
Capital grants, contributions and restricted interest	45,176	114,171
General receipts:		
Property tax	134,945	130,887
Local option sales tax	58,999	75,136
Unrestricted investment earnings	4,426	4,980
Miscellaneous	349,060	49,861
Sale of property	243	4,878
Total receipts	<u>732,341</u>	<u>544,064</u>
Disbursements:		
Public safety	250,963	147,279
Public works	163,506	175,005
Health and social services	482	475
Culture and recreation	48,788	59,631
Community and economic development	-0-	100,834
General government	23,488	19,623
Total disbursements	<u>487,227</u>	<u>502,847</u>
Change in cash basis net assets	245,114	41,217
Cash basis net assets, beginning of year	<u>627,258</u>	<u>586,041</u>
Cash basis net assets, end of year	<u>\$ 872,372</u>	<u>\$ 627,258</u>

The City's total receipts for governmental activities increased 34.6%, or approximately \$188,000. The total cost of all programs and services decreased approximately \$15,600 or 3%, with no new programs added this year. The significant increase in receipts was primarily the result of proceeds received from the insurance settlement on the fire station fire.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Charges for services:		
Electric	\$ 607,028	\$ 678,475
Gas	280,365	318,646
Water	128,731	128,082
Sewer	31,541	31,072
Garbage	46,565	46,284
Operating grants, contribution, and restricted interest	102,506	74,377
General receipts:		
Unrestricted interest	5,112	9,359
Miscellaneous	7,619	8,001
Sale of property	8,447	606
Total receipts	<u>1,217,914</u>	<u>1,294,902</u>
Disbursements:		
Electric	585,718	603,004
Gas	337,914	375,884
Water	152,017	117,412
Sewer	24,470	28,127
Garbage	47,100	46,540
Total disbursements	<u>1,147,219</u>	<u>1,170,967</u>
Change in cash basis net assets	70,695	123,935
Cash basis net assets, beginning of year	<u>2,878,590</u>	<u>2,754,655</u>
Cash basis net assets, end of year	\$ <u>2,949,285</u>	\$ <u>2,878,590</u>

Total business type activities receipts for the fiscal year were approximately \$1.21 million compared to approximately \$1.29 million last year. This significant decrease was due primarily to utility rate reduction effective July 2011.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Manilla completed the year, its governmental funds reported a combined fund balance of \$872,372, an increase of \$245,114 above last year's total of \$627,258. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$237,132 from the prior year to \$848,360. The significant increase is primarily due to insurance proceeds on the fire station loss.

The Special Revenue, Road Use Tax fund cash balance increased \$8,622 to \$23,443. The City intends to use this money to upgrade the condition of all the City roads.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Electric Fund cash balance increased \$93,240 to \$2,013,802. The significant increase was due to more usage during fiscal year 2012 in spite of a rate reduction effective July 2011.

The Enterprise, Gas Fund cash balance decreased \$7,405 to \$701,867. The decrease is attributed to a mild winter and less grain drying at the local elevator.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 29, 2012 and resulted in an increase in miscellaneous revenue and other financing sources related to insurance proceeds on the loss of the fire station. The amendment also increased operating disbursements related to construction costs of the new fire station.

The City's receipts were \$687,413 less than budgeted. This was primarily due to the City receiving less than anticipated in intergovernmental aid and charges for services revenue.

Total disbursements were approximately \$2.5 million less than budgeted. This was primarily due to the Enterprise Funds expending less than anticipated, a delay in construction of the new fire station, a housing assistance grant and a fire truck grant that were budgeted for 2012 but not awarded until 2013.

The City did not exceed the amounts budgeted in any function for the year ended June 30, 2012.

DEBT ADMINISTRATION

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. Even though the City of Manilla had no indebtedness at June 30, 2012, the general obligation debt limit of the City is approximately \$1 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Manilla's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities.

Amounts available for appropriation in the operating budget are approximately \$2.9 million, a decrease of 26% from the final fiscal year 2012 budget. Property tax will benefit from a slight rate increase and increases in assessed valuations. Budgeted disbursements are expected to decrease approximately \$1 million.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$892,000 by the close of fiscal year 2013.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact James Heller, City Clerk, 443 Main Street, Manilla, Iowa 51454.

BASIC FINANCIAL STATEMENTS

CITY OF MANILLA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Disbursements	Program Receipts		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 250,963	\$ 31,236	\$ 74,373	\$ 45,176
Public works	163,506	-0-	-0-	-0-
Health and social services	482	-0-	-0-	-0-
Cultures and recreation	48,788	2,465	1,594	-0-
General government	23,488	2,024	27,800	-0-
Total governmental activities	<u>487,227</u>	<u>35,725</u>	<u>103,767</u>	<u>45,176</u>
Business type activities:				
Electric	585,718	607,028	54,449	-0-
Gas	337,914	280,365	46,688	-0-
Water	152,017	128,731	1,369	-0-
Sewer	24,470	31,541	-0-	-0-
Garbage	47,100	46,565	-0-	-0-
Total business type activities	<u>1,147,219</u>	<u>1,094,230</u>	<u>102,506</u>	<u>-0-</u>
Total	\$ <u>1,634,446</u>	\$ <u>1,129,955</u>	\$ <u>206,273</u>	\$ <u>45,176</u>
General receipts:				
Property tax				
Local option sales tax				
Unrestricted investment earnings				
Miscellaneous				
Sale of property				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets, beginning of year				
Cash basis net assets, end of year				
Cash basis net assets				
Restricted:				
Streets				
Other purposes				
Assigned – fire station				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

EXHIBIT A

Net (Disbursements), Receipts and Changes in Net Assets					
Governmental Activities		Business Type Activities		Total	
\$	(100,178)	\$	-0-	\$	(100,178)
	(163,506)		-0-		(163,506)
	(482)		-0-		(482)
	(44,729)		-0-		(44,729)
	6,336		-0-		6,336
	<u>(302,559)</u>		<u>-0-</u>		<u>(302,559)</u>
	-0-		75,759		75,759
	-0-		(10,861)		(10,861)
	-0-		(21,917)		(21,917)
	-0-		7,071		7,071
	-0-		(535)		(535)
	<u>-0-</u>		<u>49,517</u>		<u>49,517</u>
	(302,559)		49,517		(253,042)
	134,945		-0-		134,945
	58,999		-0-		58,999
	4,426		5,112		9,538
	349,060		7,619		356,679
	243		8,447		8,690
	<u>547,673</u>		<u>21,178</u>		<u>568,851</u>
	245,114		70,695		315,809
	<u>627,258</u>		<u>2,878,590</u>		<u>3,505,848</u>
\$	<u>872,372</u>	\$	<u>2,949,285</u>	\$	<u>3,821,657</u>
\$	23,443	\$	-0-	\$	23,443
	569		-0-		569
	450,000		-0-		450,000
	398,360		2,949,285		3,347,645
\$	<u>872,372</u>	\$	<u>2,949,285</u>	\$	<u>3,821,657</u>

CITY OF MANILLA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue			
	General	Road Use Tax	Other	Total
			Non-major Governmental Funds	
Receipts:				
Property tax	\$ 115,653	\$ -0-	\$ 19,292	\$ 134,945
Local option sales tax	-0-	-0-	58,999	58,999
Licenses and permits	2,025	-0-	-0-	2,025
Use of money and property	7,016	-0-	-0-	7,016
Intergovernmental	55,589	73,604	-0-	129,193
Charges for services	17,041	-0-	-0-	17,041
Miscellaneous	382,110	769	-0-	382,879
Total receipts	579,434	74,373	78,291	732,098
Disbursements:				
Public safety	245,319	-0-	5,644	250,963
Public works	86,103	65,751	11,652	163,506
Health and social services	482	-0-	-0-	482
Culture and recreation	46,152	-0-	2,636	48,788
General government	23,488	-0-	-0-	23,488
Total disbursements	401,544	65,751	19,932	487,227
Excess of receipts over disbursements	177,890	8,622	58,359	244,871
Other financing sources (uses):				
Sales of capital assets	243	-0-	-0-	243
Operating transfers in	58,999	-0-	-0-	58,999
Operating transfers out	-0-	-0-	(58,999)	(58,999)
Total other financing sources (uses)	59,242	-0-	(58,999)	243
Net change in cash balances	237,132	8,622	(640)	245,114
Cash balances beginning of year	611,228	14,821	1,209	627,258
Cash balances end of year	\$ 848,360	\$ 23,443	\$ 569	\$ 872,372
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -0-	\$ 23,443	\$ -0-	\$ 23,443
Other purposes	-0-	-0-	569	569
Assigned for fire station	450,000	-0-	-0-	450,000
Unassigned	398,360	-0-	-0-	398,360
Total cash basis fund balances	\$ 848,360	\$ 23,443	\$ 569	\$ 872,372

See notes to financial statements.

CITY OF MANILLA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRITARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Electric</u>	<u>Gas</u>	<u>Enterprise Water</u>
Operating receipts:			
Use of money and property	\$ 44,245	\$ 43,031	\$ 1,369
Charges for services	604,492	280,365	128,731
Miscellaneous	<u>8,833</u>	<u>2,023</u>	<u>241</u>
Total operating receipts	657,570	325,419	130,341
Operating disbursements:			
Business type activities	<u>585,718</u>	<u>337,914</u>	<u>152,017</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	71,852	(12,495)	(21,676)
Non-operating receipts (disbursements)			
Interest on investments	<u>12,941</u>	<u>5,090</u>	<u>-0-</u>
Excess (deficiency) or receipts over (under) Disbursements	84,793	(7,405)	(21,676)
Other financing sources:			
Sales of capital assets	<u>8,447</u>	<u>-0-</u>	<u>-0-</u>
Net change in cash balances	93,240	(7,405)	(21,676)
Cash balances beginning of year	<u>1,920,562</u>	<u>709,272</u>	<u>104,730</u>
Cash balances end of year	\$ <u>2,013,802</u>	\$ <u>701,867</u>	\$ <u>83,054</u>
Cash Basis Fund Balances			
Unrestricted	<u>2,013,802</u>	<u>701,867</u>	<u>83,054</u>
Total cash basis fund balances	\$ <u>2,013,802</u>	\$ <u>701,867</u>	\$ <u>83,054</u>

See notes to financial statements.

Exhibit C

Funds		
Sewer	Garbage	Total
\$ -0-	\$ -0-	\$ 88,645
31,541	46,565	1,091,694
-0-	-0-	11,097
<u>31,541</u>	<u>46,565</u>	<u>1,191,436</u>
 24,470	 47,100	 1,147,219
 7,071	 (535)	 44,217
 -0-	 -0-	 18,031
 7,071	 (535)	 62,248
 -0-	 -0-	 8,447
 7,071	 (535)	 70,695
 134,840	 9,186	 2,878,590
\$ <u>141,911</u>	\$ <u>8,651</u>	\$ <u>2,949,285</u>
 141,911	 8,651	 2,949,285
\$ <u>141,911</u>	\$ <u>8,651</u>	\$ <u>2,949,285</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF MANILLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies

The City of Manilla is a political subdivision of the State of Iowa located in Crawford County. It was first incorporated in 1887 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general administrative services. The City also provides electric, garbage, gas, sewer and water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Manilla has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials or appointees are members of the following boards and commissions: Crawford County Solid Waste Agency and Crawford County Development Corporation.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF MANILLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in the following categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF MANILLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The City reports the following major proprietary funds:

The Electric Fund accounts for the operation and maintenance of the City's electric service.

The Gas Fund accounts for the collection and cost of the City's natural gas service.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF MANILLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies (continued)

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Non-spendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements did not exceed amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits at June 30, 2012 were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, meaning the investments are insured or registered or the securities are held by the agent of the City in the City's name. The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, totaled \$3,821,657 as of June 30, 2012.

CITY OF MANILLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(3) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute a 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2012 was \$26,687, equal to the required contributions for the year.

(4) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 7 active and -0- retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$466 for single coverage and \$1,165 for family coverage. For the year ended June 30, 2012, the City contributed \$89,893 and plan members eligible for benefits contributed \$-0- to the plan.

CITY OF MANILLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment at termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2012
Vacation	\$ 11,533
Sick Leave	32,125
Total	\$ <u>43,658</u>

The liability has been computed based on rates of pay in effect at June 30, 2012.

At the end of each calendar year, any unused vacation pay is paid to employees. Upon separation from employment, accumulated unused vacation pay is paid per employee election, either in a lump sum payment or in a continuation of payments at usual pay periods until paid in full.

Sick leave is payable when used or upon retirement or death with a maximum accumulation of hours not to exceed 360 hours or forty-five days.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012, is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue- Local Option	\$ <u>58,999</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF MANILLA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(7) Related Party Transactions

Business transactions between the City and City officials totaled \$71,043 during the year ended June 30, 2012.

(8) Risk Management

The City of Manilla is exposed to various risks of loss to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the year ended June 30, 2012.

(9) Subsequent Event

In December 2012, the Manilla Municipal Utilities contributed \$175,000 for the new fire station to the City of Manilla. The funds were paid from the Electric Fund.

OTHER INFORMATION

CITY OF MANILLA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND
PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 134,945	\$ -0-
Other city tax	58,999	-0-
Licenses and permits	2,025	-0-
Use of money and permits	7,016	106,676
Intergovernmental	129,193	-0-
Charges for services	17,041	1,091,694
Miscellaneous	382,879	11,097
Total receipts	<u>732,098</u>	<u>1,209,467</u>
Disbursements:		
Public safety	250,963	-0-
Public works	163,506	-0-
Health and social services	482	-0-
Culture and recreation	48,788	-0-
Community and economic development	-0-	-0-
General government	23,488	-0-
Business type	-0-	1,147,219
Total disbursements	<u>487,227</u>	<u>1,147,219</u>
Excess (deficiency) of receipts over (under) disbursements	244,871	62,248
Other financing sources, net	<u>243</u>	<u>8,447</u>
Excess (deficiency) of receipts and other financing sources	245,114	70,695
Balances beginning of year	<u>627,258</u>	<u>2,878,590</u>
Balances end of year	\$ <u>872,372</u>	\$ <u>2,949,285</u>

See Accompanying Independent Auditor's Report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 134,945	\$ 133,593	\$ 133,593	\$ 1,352
58,999	65,000	65,000	(6,001)
2,025	3,175	3,175	(1,150)
113,692	167,500	167,500	(53,808)
129,193	467,200	467,200	(338,007)
1,108,735	1,472,200	1,472,200	(363,465)
393,976	29,000	329,000	64,976
<u>1,941,565</u>	<u>2,337,668</u>	<u>2,637,668</u>	<u>(696,103)</u>
250,963	271,125	771,125	520,162
163,506	272,180	272,180	108,674
482	2,700	2,700	2,218
48,788	73,635	73,635	24,847
-0-	200,000	200,000	200,000
23,488	36,805	36,805	13,317
<u>1,147,219</u>	<u>2,802,950</u>	<u>2,802,950</u>	<u>1,655,731</u>
<u>1,634,446</u>	<u>3,659,395</u>	<u>4,159,395</u>	<u>2,524,949</u>
307,119	(1,321,727)	(1,521,727)	1,828,846
<u>8,690</u>	<u>700,000</u>	<u>700,000</u>	<u>(691,310)</u>
315,809	(621,727)	(821,727)	1,137,536
<u>3,505,848</u>	<u>3,505,848</u>	<u>3,505,848</u>	<u>-0-</u>
\$ <u>3,821,657</u>	\$ <u>2,884,121</u>	\$ <u>2,684,121</u>	\$ <u>1,137,536</u>

CITY OF MANILLA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

JUNE 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$500,000. The budget amendments are reflected in the final budgeted amounts.

For the year ended June 30, 2012, disbursements did not exceed the amounts budgeted in the governmental or business type activities functions.

SUPPLEMENTARY INFORMATION

CITY OF MANILLA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Special Revenue</u>		
	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
Receipts:			
Property tax	\$ 19,292	\$ -0-	\$ 19,292
Other city tax	-0-	58,999	58,999
Total receipts	<u>19,292</u>	<u>58,999</u>	<u>78,291</u>
Disbursements:			
Operating:			
Public safety	5,644	-0-	5,644
Public works	11,652	-0-	11,652
Culture and recreation	<u>2,636</u>	<u>-0-</u>	<u>2,636</u>
	<u>19,932</u>	<u>-0-</u>	<u>19,932</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(640)	58,999	58,359
Other financing uses:			
Operating transfers out	<u>-0-</u>	<u>(58,999)</u>	<u>(58,999)</u>
Net change in cash balances	(640)	-0-	(640)
Cash balances beginning of year	<u>1,209</u>	<u>-0-</u>	<u>1,209</u>
Cash balances end of year	\$ <u>569</u>	\$ <u>-0-</u>	\$ <u>569</u>
Cash Basis Fund Balances			
Restricted for other purposes			
Total cash basis fund balances	\$ <u>569</u>	\$ <u>-0-</u>	\$ <u>569</u>

See accompanying independent auditor's report.

CITY OF MANILLA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	<u>2012</u>	<u>2011 *</u>	<u>2010 *</u>	<u>2009 *</u>
Receipts:				
Property tax	\$ 134,945	\$ 130,887	\$ 119,585	\$ 117,598
Other city tax	58,999	75,136	64,350	59,850
Licenses and permits	2,025	2,036	2,246	2,382
Use of money and property	7,016	6,820	7,400	9,621
Intergovernmental	129,193	262,739	140,474	151,241
Charges for services	17,041	10,320	-0-	-0-
Miscellaneous	<u>382,879</u>	<u>56,126</u>	<u>13,605</u>	<u>7,474</u>
Total	\$ <u>732,098</u>	\$ <u>544,064</u>	\$ <u>347,660</u>	\$ <u>348,166</u>
Disbursements:				
Public safety	\$ 250,963	\$ 147,279	\$ 64,216	\$ 60,631
Public works	163,506	175,005	194,159	168,824
Health and social services	482	475	446	352
Culture and recreation	48,788	59,631	39,160	38,490
Community and economic development	-0-	100,834	14,858	35,318
General government	<u>23,488</u>	<u>19,623</u>	<u>24,820</u>	<u>23,265</u>
Total	\$ <u>487,227</u>	\$ <u>502,847</u>	\$ <u>337,659</u>	\$ <u>326,880</u>

* Unaudited

Schedule 2

	<u>2008</u>	<u>2007 *</u>	<u>2006 *</u>	<u>2005 *</u>
Receipts:				
Property tax	\$ 114,610	\$ 108,783	\$ 106,319	\$ 106,271
Other city tax	63,768	57,243	59,081	54,117
Licenses and permits	2,425	2,542	2,543	2,013
Use of money and property	17,045	17,682	12,046	5,894
Intergovernmental	108,404	154,735	120,675	179,654
Charges for services	-0-	12	36	130
Miscellaneous	<u>18,064</u>	<u>17,106</u>	<u>32,353</u>	<u>5,638</u>
Total	\$ <u>324,316</u>	\$ <u>358,103</u>	\$ <u>333,053</u>	\$ <u>353,717</u>
Disbursements:				
Public safety	\$ 66,501	\$ 75,799	\$ 116,462	\$ 161,226
Public works	169,683	155,400	154,309	159,337
Health and social services	60	90	85	4,080
Culture and recreation	46,163	51,806	55,367	24,916
Community and economic development	2,632	39,966	13,166	4,148
General government	<u>29,082</u>	<u>30,247</u>	<u>24,734</u>	<u>21,306</u>
Total	\$ <u>314,121</u>	\$ <u>353,308</u>	\$ <u>364,123</u>	\$ <u>375,013</u>

* Unaudited

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

January 9, 2013

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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Missouri

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Manilla, Iowa as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated January 9, 2013. My report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Manilla is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the City of Manilla's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Manilla's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Manilla's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be a material weakness and another deficiency I consider to be a significant deficiency.

Continued . . .

January 9, 2013
To the Honorable Mayor and
Members of the City Council:

Page Two

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Manilla's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Manilla's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Manilla's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Manilla's responses and, accordingly, I express no opinion on them.

Continued . . .

January 9, 2013
To the Honorable Mayor and
Members of the City Council:

Page Three

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Manilla and other parties to whom the City of Manilla may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Manilla during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Munford Associates, CPA, P.C.

**CITY OF MANILLA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- I-A-12 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from performing duties which are incompatible such as handling cash, preparing deposits, recording transactions and performing reconciliations.

Recommendation - I realize that a strict segregation of duties is difficult with two office employees. However, the City should review its control procedures, periodically, to obtain the maximum internal control possible under the circumstances.

Response - The City requires two signatures on all City checks and the City Treasurer prepares a Treasurer's Report monthly.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize appointed officials to provide additional control through review of financial transactions and reports.

- II-B-12 Financial Reporting - The fire station construction project was recorded in the General Fund. It should have been recorded and presented as a capital project in a Capital Projects Fund. The taxes of the insurance levy were recorded in the General Fund. They should have been recorded and presented as a Special Revenue Fund as are Employee Benefits.

Recommendation - Wherever recorded, capital projects such as the fire station and special tax levies for insurance should at least be presented correctly according to the principles of governmental fund accounting.

Response - We were simply unaware of this error and will present capital projects and special revenue tax levies correctly in future.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**CITY OF MANILLA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted in the governmental and business type activities functions.

II-B-12 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Leonard Kaufmann, Mayor, Owner of Leonard's Repair	Repairs	\$ 23
Wyatt Bandow, Council Member, Owner of Bandow Mowing Service	Lawn mowing	\$ 620
Barry Christensen, Board of Trustees, Co-owner of Harvey's Oil	Fuel, tires, repairs	\$ 16,332
Allen Foster, Board of Trustees, Owner of Foster Bulldozer Service	Earthmoving	\$ 577
Steve Vollstedt, Zoning Board, Owner of Manilla Insurance Agency	Insurance	\$ 53,491

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with Mayor Kaufmann, Council Member Bandow, and Board of Trustee Member Foster do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with Board of Trustee Member Christensen and Zoning Board Member Vollstedt may represent a conflict of interest since total transactions with these individuals was greater than \$2,500 during the fiscal year.

**CITY OF MANILLA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

Part II: Other Findings Related to Required Statutory Reporting (Continued):

II-D-12 Business Transactions (Continued)

Recommendation - The City should obtain competitive bids on its insurance and fuel in accordance with Chapter 362.5(4).

Response - The City will consider requesting competitive bids on its insurance. The City splits its gasoline purchases between a convenience store and a service station. Unfortunately, the convenience store cannot provide diesel, tires, oil or repair services.

Conclusion - Response acknowledged.

II-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-12 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

II-G-12 Deposits and Investments - Except as noted in comment III-A-08, no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

CITY OF MANILLA

MANILLA, IOWA 51454

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an audit report on the City of Manilla, Iowa.

The City's receipts totaled \$1,950,255 year ended June 30, 2012, a 6 percent increase from 2011. The receipts included \$134,945 from property tax, \$1,129,955 from charges for services, \$206,273 from operating grants, contributions and restricted interest, \$45,176 from capital grants, contributions and restricted interest, \$58,999 from local option sales tax, \$9,538 from unrestricted investment earnings, \$356,679 from miscellaneous sources and \$8,690 from the sale of property.

Disbursements for the year totaled \$1,634,446, a 2.35 percent decrease from 2011, and included \$585,718 for the electric utility, \$337,914 for the gas utility, and \$250,963 for public safety.

The significant increase in receipts is due primarily to insurance proceeds on the total loss of the fire station. The decrease in disbursements is due primarily to delayed construction of the new fire station.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of the Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.htm>

